

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended

DECEMBER 31, 1994

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 1-5667

CABOT CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State of Incorporation)

04-2271897  
(I.R.S. Employer Identification No.)

75 STATE STREET  
BOSTON, MASSACHUSETTS  
(Address of principal executive offices)

02109-1806  
(Zip Code)

Registrant's telephone number, including area code: (617) 345-0100

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months, and (2) has been subject to such filing  
requirements for the past 90 days.

YES                      X                      NO  
-----

Indicate the number of shares outstanding of each of the issuer's classes of  
Common Stock, as of the latest practicable date.

AS OF DECEMBER 31, 1994, THE COMPANY HAD 38,076,856 SHARES OF COMMON  
STOCK, PAR VALUE \$1 PER SHARE, OUTSTANDING.

## CABOT CORPORATION

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

CABOT CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
Three Months Ended December 31, 1994 and 1993

(Dollars in thousands, except per share amounts)

## UNAUDITED

	1994	1993
	----	----
Revenues:		
Net sales and other operating revenues	\$427,960	\$398,475
Interest and dividend income	2,535	978
	-----	-----
Total revenues	430,495	399,453
Costs and expenses:		
Cost of sales	296,829	296,750
Selling and administrative expenses	55,568	52,329
Research and technical service	12,839	11,721
Interest expense	10,036	10,259
Other (income) expense, net	4,166	2,359
	-----	-----
Total costs and expenses	379,438	373,418
Income before income taxes	51,057	26,035
Provision for income taxes	(18,832)	(10,414)
Equity in net income of affiliated companies	1,683	337
	-----	-----
Net income	33,908	15,958
	-----	-----
Dividends on preferred stock, net of tax benefit of \$479 and \$484, respectively	(890)	(899)
	-----	-----
Income applicable to primary common shares	\$ 33,018	\$ 15,059
	=====	=====
Weighted average common shares outstanding (000):		
Primary	38,619	38,158
Fully diluted (Note A)	41,740	41,282
Income per common share:		
Primary	\$ 0.85	\$ 0.39
Fully diluted (Note A)	\$ 0.80	\$ 0.37
Dividends per common share	\$ 0.14	\$ 0.13
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
December 31, 1994 and September 30, 1994

(Dollars in thousands)

ASSETS

	December 31 1994 (Unaudited) -----	September 30 1994 -----
Current assets:		
Cash and cash equivalents	\$ 29,522	\$ 80,917
Accounts and notes receivable (net of reserve for doubtful accounts of \$7,955 and \$7,697)	285,569	272,787
Inventories:		
Raw materials	58,362	52,564
Work in process	33,821	33,139
Finished goods	115,014	94,363
Other	36,854	36,816
Total inventories	244,051	216,882
Prepaid expenses	13,547	13,293
Deferred income taxes	22,040	22,509
	-----	-----
Total current assets	594,729	606,388
	-----	-----
Investments:		
Equity	85,735	86,164
Other	105,155	115,768
Total investments	190,890	201,932
	-----	-----
Property, plant and equipment:		
At cost	1,399,601	1,381,576
Accumulated depreciation and amortization	705,341	687,068
Net property, plant and equipment	694,260	694,508
	-----	-----
Other assets:		
Intangible assets, net of amortization	72,128	74,089
Deferred income taxes	6,581	6,722
Other assets	33,909	33,117
Total other assets	112,618	113,928
	-----	-----
Total assets	\$1,592,497	\$1,616,756
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION  
CONSOLIDATED BALANCE SHEETS  
December 31, 1994 and September 30, 1994

(Dollars in thousands)

LIABILITIES & STOCKHOLDERS' EQUITY

	December 31 1994 (Unaudited) -----	September 30 1994 -----
Current liabilities:		
Notes payable to banks	\$ 145,526	\$ 26,480
Current portion of long-term debt	15,238	159,724
Accounts payable and accrued liabilities	261,295	281,342
U.S. and foreign income taxes payable	11,133	3,626
Deferred income taxes	3,860	3,943
	-----	-----
Total current liabilities	437,052	475,115
Long-term debt	301,753	307,828
Deferred income taxes	121,694	124,286
Other liabilities	147,985	147,038
Commitments and contingencies (Note B)		
Stockholders' Equity: (Note C)		
Preferred stock:		
Authorized: 2,000,000 shares of \$1 par value		
Series A Junior Participating Preferred Stock		
Issued and outstanding: none		
Series B ESOP Convertible Preferred Stock 7.75% Cumulative		
Issued: 75,336 shares (aggregate redemption value		
\$73,198 and \$73,577)	75,336	75,336
Less cost of shares of preferred treasury stock	(4,205)	(4,003)
Common stock:		
Authorized: 80,000,000 shares of \$1 par value		
Issued: 67,774,968 shares	67,775	67,775
Additional paid-in capital	6,195	3,783
Retained earnings	944,639	916,942
Less cost of common treasury stock		
(including unearned amounts of \$6,484 and \$7,884)	(473,876)	(475,055)
Deferred employee benefits	(67,040)	(67,403)
Unrealized gain on marketable securities	22,393	28,787
Foreign currency translation adjustments	12,796	16,327
	-----	-----
Total stockholders' equity	584,013	562,489
	-----	-----
Total liabilities and stockholders' equity	\$1,592,497	\$1,616,756
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 Three Months Ended December 31, 1994 and 1993

(Dollars in thousands)

	UNAUDITED	
	1994	1993
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 33,908	\$ 15,958
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	23,417	21,004
Deferred tax provision	1,579	4,934
Equity in net income of affiliated companies, net of dividends received	(423)	1,891
Other, net	1,585	734
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(13,825)	9,515
Increase in inventory	(27,437)	(16,881)
Decrease in accounts payable and accruals	(17,689)	(58,716)
Increase in prepayments and intangible assets	(1,235)	(3,209)
Other, net	9,692	(10,033)
	-----	-----
Cash provided (used) by operating activities	9,572	(34,803)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(24,288)	(13,183)
Investments	(20)	-
Sales of investments and property, plant and equipment	33	29
	-----	-----
Cash used by investing activities	(24,275)	(13,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(151,411)	(20,468)
Net increase in short-term debt	119,046	65,322
Sales of treasury stock, net	1,989	2,130
Cash dividends paid to stockholders	(6,211)	(5,775)
	-----	-----
Cash (used) provided by financing activities	(36,587)	41,209
Effect of exchange rate changes on cash	(105)	(200)
	-----	-----
Decrease in cash and cash equivalents	(51,395)	(6,948)
Cash and cash equivalents at beginning of period	80,917	40,267
	-----	-----
Cash and cash equivalents at end of period	\$ 29,522	\$ 33,319
	=====	=====

The accompanying notes are an integral part of these financial statements.

CABOT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 1994

A. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Cabot Corporation and majority-owned and controlled domestic and foreign subsidiaries. Investments in majority-owned affiliates where control does not exist and investments in 20 percent to 50 percent-owned affiliates are accounted for on the equity method. Intercompany transactions have been eliminated.

The financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to the Company's Form 10-K for the year ended September 30, 1994.

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended December 31, 1994 and 1993. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

On August 17, 1994, a two-for-one stock split in the form of a stock dividend was effected. Common share and per share amounts from the first quarter of fiscal 1994 have been restated to reflect the split.

Earnings Per Share

The computation of fully diluted earnings per share considers the conversion of the Company's Series B ESOP Convertible Preferred Stock held by the Company's Employee Stock Ownership Plan, and also includes the potentially dilutive effects of the Company's Equity Incentive Plan.

Reclassification

Certain amounts in fiscal 1994 have been reclassified to conform to the fiscal 1995 presentation.

B. CONTINGENCIES

The Company has various lawsuits, claims and contingent liabilities. In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on the Company's financial position.

CABOT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)  
December 31, 1994  
UNAUDITED

## C. STOCKHOLDERS' EQUITY

The following table summarizes the changes in stockholders' equity for the three months ended December 31, 1994.

(Dollars in thousands)

	Preferred Stock		Preferred Treasury Stock		Common Stock		Additional Paid-In Capital	Retained Earnings
	Shares Issued	Value	Shares	Cost	Shares Issued	Value		
Balance at September 30, 1994	75,336	\$75,336	4,504	\$(4,003)	67,774,968	\$67,775	\$3,783	\$916,942
Net income								33,908
Common stock dividends paid								(5,321)
Issuance of treasury stock under employee compensation plans							6	
Purchase of treasury stock - common								
Purchase of treasury stock - preferred			165	(202)				
Sale of treasury stock to Cabot Retirement Incentive Savings Plan							2,406	
Preferred stock dividends paid to Employee Stock Ownership Plan, net of tax								(890)
Principal payment by Employee Stock Ownership Plan under guaranteed loan								
Amortization of unearned compensation								
Unrealized gain/(loss), net of deferred tax								
Foreign currency translation adjustments								
Balance at December 31, 1994	75,336	\$75,336	4,669	\$(4,205)	67,774,968	\$67,775	\$6,195	\$944,639

  

	Common Treasury Stock		Unearned Compensation	Deferred Employee Benefits	Unrealized Gain/(Loss) Marketable Securities	Foreign Currency Translation Adjustments	Total Stockholders' Equity
	Shares	Cost					
Balance at September 30, 1994	29,783,722	\$(467,171)	\$(7,884)	\$(67,403)	\$28,787	\$16,327	\$562,489
Net Income							33,908
Common Stock dividends paid							(5,321)
Issuance of treasury stock under employee compensation plans	(13,874)	219					225
Purchase of treasury stock - common	147,200	(3,894)					(3,894)
Purchase of treasury stock - preferred							(202)
Sale of treasury stock to Cabot Retirement Incentive Savings Plan	(218,936)	3,454					5,860
Preferred stock dividends paid to Employee Stock Ownership Plan net of tax							(890)
Principal payment by Employee Stock Ownership under guaranteed loan							



Amortization of unearned compensation			1,400				1,400
Unrealized gain/(loss), net of deferred tax					(6,394)		(6,394)
Foreign currency translation adjustments						(3,531)	(3,531)
Balance at December 31, 1994	29,698,112	\$ (467,392)	\$ (6,484)	\$ (67,040)	\$22,393	\$12,796	\$584,013
	=====	=====	=====	=====	=====	=====	=====

ITEM 2. Management's Discussion and Analysis of  
Financial Condition and Results of Operations

I. RESULTS OF OPERATIONS

Sales and operating profit by industry segment are shown in the accompanying table on page 11.

Three Months Ended December 31, 1994 versus  
Three Months Ended December 31, 1993

Net income for the first quarter of fiscal year 1995 was \$33.9 million (\$0.85 per primary common share), compared with net income of \$16.0 million (\$0.39 per primary common share) in the same quarter a year ago. Net sales and other operating revenues increased 7.4% to \$428.0 million from \$398.5 million. Total operating profit improved 60% to \$66.7 million from \$41.6 million, reflecting gains in both the Specialty Chemicals and Materials, and Energy Groups.

In the Specialty Chemicals and Materials Group, sales increased 25.7% to \$349.8 million from \$278.2 million last year. Operating profit improved 67.8% to \$60.4 million from \$36.0 million last year. The strong quarterly results can be primarily attributed to a 16% overall volume improvement across all regions and businesses. The most significant volume gains were seen in the Specialty Chemicals and Materials Group's European businesses. In addition, the Group benefited from higher margins in the quarter due to improved pricing and higher capacity utilization.

In the Energy Group, sales dropped 35% from \$120.3 million to \$78.2 million. As expected, in the Company's LNG business, supplies have been significantly reduced due to the refurbishment of the liquefaction facilities of the Company's Algerian supplier. In addition, an unseasonably warm winter in the Northeastern United States has also reduced demand. Operating profit for the Group increased 12.5% to \$6.3 million from \$5.6 million in last year's first quarter. This increase is primarily a result of the pricing structure used by the Company's LNG business which includes revenues that are fixed and independent of volumes sold. LNG supply curtailments are expected to continue. The Company expects the reduced supply to negatively impact the Energy Group's performance in the usually strong second quarter, and for the fiscal year. The extent of the impact will depend on the number and timing of LNG shipments received, weather patterns and other factors. Other gas supply opportunities continue to be explored. The Company also cannot predict, at this time, what, if any, impact the political instability in Algeria may have on the deliveries of LNG to Cabot from its supplier.

Interest expense of \$10.0 million remained relatively flat with last year's \$10.3 million. The Company expects to have lower interest expense during the remainder of the year due to lower total debt and the replacement of \$115 million of the fixed-rate high coupon debt, which matured in December 1994, with short-term floating-rate debt currently at lower interest rates.

The Company's effective tax rate was reduced to 37% due primarily to the reduction of trapped foreign losses and research and development tax credits.

During the quarter, the Company's operating performance benefited from favorable currency translations, mostly a result of the relative strength of European currencies. The recent devaluation of the Mexican Peso has not had a material impact on the Company's results. At this time, the Company does not believe that further economic difficulties in Mexico are likely to have a material adverse impact on the Company's results.

The Company continues actively to consider various transaction opportunities which would result in Cabot Safety Corporation, a wholly-owned subsidiary, being deconsolidated.

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

## II. CASH FLOWS AND LIQUIDITY

During the quarter, the Company's operations provided \$9.6 million of cash as a result of the higher income generated in the quarter, partially offset by the continued rebuilding of inventories, particularly by the Company's TUCO business, a decrease in accounts payable, and an increase in accounts receivable as a result of the increased sales in the quarter.

The Company decreased its borrowings by \$32.4 million during the quarter and refinanced \$115.0 million of the 9.875% coupon debt at more favorable short-term floating rates.

The Company expects capital expenditures, which were \$24.3 million in the quarter, to continue at a similar or slightly higher rate for the remainder of the fiscal year.

During the quarter, the Company purchased approximately 147,000 shares of its common stock in the open market to replace, in part, shares issued for employee incentive programs. The Company intends to purchase additional shares from time to time based on market conditions.

Management expects cash from operations and present financing arrangements, including the Company's unused line of credit of \$250 million, to be sufficient to meet the Company's cash requirements for the foreseeable future.

## CABOT CORPORATION

Management's Discussion and Analysis of  
Financial Condition and Results of Operations

UNAUDITED

	Three Months Ended	
	12/31/94	12/31/93
	-----	
	Dollars in millions, except per share amounts	
	-----	
Industry Segment Data		
-----		
Sales:		
Specialty Chemicals and Materials	\$349.8	\$278.2
Energy	78.2	120.3
	-----	-----
Net Sales	\$428.0	\$398.5
	=====	=====
Operating Profit:		
Specialty Chemicals and Materials	\$ 60.4	\$ 36.0
Energy	6.3	5.6
	-----	-----
Total operating profit	66.7	41.6
Interest expense	(10.0)	(10.3)
General corporate expense	(5.7)	(5.3)
	-----	-----
Income before income taxes	51.0	26.0
Provision for income taxes	(18.8)	(10.4)
Equity in net income of affiliated companies	1.7	0.4
	-----	-----
Net income	33.9	16.0
Dividends on preferred stock	(0.9)	(0.9)
	-----	-----
Income applicable to primary common shares	\$ 33.0	\$ 15.1
	=====	=====
Income per common share:		
Primary	\$ 0.85	\$ 0.39
Fully Diluted	\$ 0.80	\$ 0.37

## Item 1. Legal Proceedings

On December 14, 1994, the U.S. Environmental Protection Agency ("EPA") issued a Unilateral Administrative Order to the Company and 11 other respondents pursuant to section 106 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 with respect to the Revere Chemical Site (a/k/a Echo Site) in Nockamixon Township, Bucks County, Pennsylvania (the "Site"). The Order requires the respondents to design and implement several remedial measures at the Site, estimated to cost approximately \$15 million. Cabot's portion of that cost, if any, has not yet been determined. Cabot has responded to the EPA's Order by indicating that it should not have been named as a respondent and by raising several objections to the Order.

## Item 6. Exhibits and Reports on Form 8-K

## (a) Exhibits

The exhibit numbers in the following list correspond to the number assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K.

Exhibit Number -----	Description -----
11	Statement Regarding Computation of Per Share Earnings, filed herewith.
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges, filed herewith.
27	Financial Data Schedule, filed herewith. (Not included with printed copy of the Form 10-Q).

## (b) Reports on Form 8-K

No report on Form 8-K was filed by the Company during the three months ended December 31, 1994.

## SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

## CABOT CORPORATION

Date: February 10, 1995

/s/ John G.L. Cabot

-----  
John G.L. Cabot.  
Vice Chairman and Chief Financial  
Officer

Date: February 10, 1995

/s/ William R. Thompson

-----  
William R. Thompson  
Vice President and Controller  
(Chief Accounting Officer)

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES  
 STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS  
 For The Three Month  
 Period Ended December 31, 1994

(In thousands, except per share amounts)

	Primary -----	Fully Diluted -----
Shares of common stock outstanding at October 1, 1994, less treasury stock	37,991	37,991
Plus net weighted shares of treasury stock issued	8	8
Plus common stock equivalents:		
Effect of convertible preferred stock conversion	-	3,091
Effect of equity incentive awards	620	650
	-----	-----
Weighted average shares outstanding	38,619 =====	41,740 =====
Income applicable to common shares	\$33,018	\$33,018
Dividends on preferred stock	-	890
Preferred stock conversion compensation shortfall	-	(600)
	-----	-----
Earnings applicable to common shares	\$33,018 =====	\$33,308 =====
Earnings per common share	\$ 0.85 =====	\$ 0.80 =====





THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS (UNAUDITED) OF CABOT CORPORATION FOR THE THREE MONTHS ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
US DOLLARS

	3-MOS	
	SEP-30-1995	
	OCT-01-1994	
	DEC-31-1994	
	1	29,522
		0
	293,524	
	7,955	
	244,051	
	594,729	
		1,399,601
	705,341	
	1,592,497	
437,052		301,753
		67,775
	0	
	75,336	
	950,834	
1,592,497		
		427,960
430,495		296,829
	296,829	
	17,005	
	0	
	10,036	
	51,057	
	18,832	
33,908		
	0	
	0	
		0
	33,908	
	0.85	
	0.80	